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PATENT  
ATTY. DOCKET NO. MPS/30

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant : George W. Landry                      Art Unit: 2761  
Serial No. : 09/332,846                      Examiner: R. Alvarez  
Filed : June 14, 1999  
For : SYSTEM AND METHOD FOR PAYING BILLS AND OTHER  
OBLIGATIONS INCLUDING SELECTIVE PAYOR AND PAYEE  
CONTROLS

Assistant Commissioner of Patents  
Washington, DC 20231

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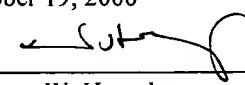
RESPONSE TO OFFICE ACTION

In response to the Examiner's Office Action dated July 19, 2000, Applicant has the following remarks:

Regarding the Examiner's rejection for double patenting, Applicant is submitting herewith a terminal disclaimer referencing U.S. Patent 5,649,117 and thereby obviating this ground of rejection.

Regarding prior art, the Examiner has rejected claims 25-41 and 57-73 as obvious in view of a combination of the Kight and Pickering patents in a two-way combination, and with reference to dependent claims, in a three-way combination with

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Thomas W. Humphrey  
Reg. No. 34,353

the Hilt patent. Applicant respectfully submits that the claims are allowable over what is shown by the basic combination of Kight and Pickering, for the following reasons.

Claims 25 and 57, the independent claims of the rejected groups, recite the receipt and presentation of bill data on an interactive device so as to present a "plurality of transactions representing bills of at least two different payees." Thus, according to this claimed invention, by using an interactive device, a customer can obtain from a single source, information about multiple billers' bills, which clearly will save the customer's time and enhance convenience.

This novel, clearly convenient approach to bill presentment, is neither shown nor suggested in the cited references. Moreover, the Examiner's combination of the Kight and Pickering patents, fails to suggest this approach, for reasons that are elaborated below.

The Kight patent, which is owned by Checkfree, relates to a system for facilitating payment of bills by customers. Specifically, in the Checkfree system, a customer identifies a payee, amount, date, and other details of a payment, and Checkfree manages the delivery of the specified payment at the specified date.

The Checkfree/Kight system does not collect "bill data", or provide information on bills to customers. Rather, customers are expected to provide the Checkfree system with the details of payments, including payees, amounts and dates. The Examiner appears to have recognized this difference, however, it is important to understand why the Checkfree system works this way, which is explained below.

The background of the Kight patent, col. 1, lines 39-51, states that in prior art bill payment systems, the sponsoring organization was a bank, the payor was a customer of the bank, and the bank would establish relationships with billers to enable payments. The reason for this is directly stated: "banks have not developed a system for managing the risks involved in providing such a service". These "risks" are made more explicit at col. 2, lines 58-64: "the service provider takes a risk whenever paying consumer's bills on the service provider's account since there is a slight chance the consumer may not reimburse the service provider after the service provider has already made payment." This risk arises from the possibility that the customer/payor would refuse to pay Checkfree (or deliver a bad check to Checkfree) after Checkfree had made payments for the customer, and/or that the customer/payor would object to an

electronic funds transfer entered by Checkfree to cover payments Checkfree had made on the customer's behalf. Where the service provider is also the customer's banker, this risk can be covered because the bank can seize funds the customer has on deposit with the bank at the moment a payment is made. However, where the service provider is a third party (as is the case with Checkfree), it has no funds of the customer on deposit and no mechanism to cover these risks.

To avoid these risks, the Checkfree/Kight system is designed so that Checkfree need not be involved in the transaction; the service provider is not a middleman that makes payments on its own account. Specifically, as detailed at col. 5, lines 43-62, the Checkfree/Kight system makes payments by draft, i.e., by preparing checks drawn upon the customer's account at the customer's bank. Checkfree is neither the drawer or payee of the draft, and so the payment has no relationship to Checkfree. Checkfree thus "is not a contractual party to the transaction". This means that risks for bad checks or stopped payments are still borne by the payee, and do not transfer to Checkfree.

The Checkfree/Kight patent discusses the possibility that certain customers be provided a credit limit, so that,

subject to this credit limit, some payments could be made by funds transfer. But since in such a case Checkfree would become a contractual party and bear risks of non-payment, such actions are tightly controlled and subject to credit limits. The tradeoffs between draft and electronic payments, and the risk management involved, are focal points of the Checkfree/Kight patent and of the Checkfree business model.

Thus, from the foregoing it can be seen that a central purpose of the Checkfree/Kight system is to avoid becoming a "middleman" for payments of individual payees to payors, for the purpose of management of risk.

The Examiner has also relied upon the Pickering patent as a primary reference in her rejection. The Pickering patent, which is owned by American Express, relates to payment consolidation. Specifically, the AmEx/Pickering concept is to include multiple biller's bills on a single consolidated paper statement, shown in Fig. 7 of the patent. Amex/Pickering proposes to mail this consolidated statement to customers, and then upon receiving the customer's payment, pay the individual billers listed on the statement.

As the preceding discussion makes clear, the Pickering system clearly makes Amex a middleman between the customer and

the various billers, and exposes Amex to the very risks that Checkfree/Kight are attempting to avoid. If Amex receives a bad check from its customer, it may not become aware of this until after it has released funds to the various billers, and may be unable to reverse those transfers or otherwise recover its funds.

Of course, such risks are inherent to Amex's existing consumer credit card business, and so are part of its existing business model. As with Amex's credit card business, the Pickering system seeks to make money from "float", i.e. from the potential that Amex will be paid and have the use of the customer's money over a short period of time before Amex will need to pay the billers. But it will be appreciated that one cannot earn money on "float" without being a middleman, i.e., to receive "float", Amex must receive its customer's money, and then pay that customer's creditors on Amex's own account. Direct payments between the customer and creditor would not give Amex access to the customer's money, and thus could not generate "float".

Thus, there is a direct and irreconcilable conflict between the risk-avoidance that is central to the Checkfree/Kight system, and the inherently risk bearing system of Amex/Pickering, designed to capture float. The risks of the Amex business model,

are anathema to Checkfree, which designed its entire business model around the avoidance of such risks. Checkfree studiously avoids becoming a middleman except under controlled circumstances, whereas Amex/Pickering is by definition a middleman on every transaction, and indeed invites this risk in exchange for the hope of earning money on "float".

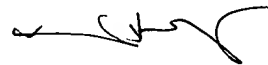
In view of these irreconcilable differences between Checkfree/Kight and Amex/Pickering, Applicant submits that the Examiner's proposal to combine these references is misguided. A person familiar with these systems, and with the business models that underlay them, would recognize their complete irreconcilability, and move on. The Examiner's attempt to create a "combined" system is simply not reflective of any real-world motivation, and Applicant objects to it on this basis.

Without the Examiner's artificial combination of specific pieces and parts of Kight and Pickering, there is nothing to suggest the language in the rejected independent claims, namely presenting "plurality of transactions representing bills of at least two different payees" on an interactive device. Therefore, it is Applicant's conclusion, and Applicant respectfully submits, that the rejected claims are patentable over the cited prior art. Applicant therefore respectfully

requests removal of the rejection and issuance of a Notice of Allowance.

If any petition for extension of time is necessary to accompany this communication, please consider this paper a petition for such an extension of time, and apply the appropriate extension of time fee to Deposit Account 23-3000. If any other charges or credits are necessary to complete this communication, please apply them to Deposit Account 23-3000.

Respectfully submitted,



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